

End-User Needs Working Group

Triage and Prioritisation Analysis

1. Executive Summary

Since the December Forum the End User Needs Working Group (the Group) has focussed on assessing its long list of detriments; grouping as appropriate; further refining; identifying where collaboration maybe required and identifying any issues to be raised to the February Forum.

In its work, the Group divided the detriments into four separate but interlinked areas: control, assurance, financial capability and corporate. Section 3 of this document provides the high level triage and prioritisation analysis, and below we summarise the Group's emerging conclusions for the Forum's consideration.

2. Emerging conclusions

Customer Control and Assurance

The Group noted that, although the market (in its widest sense) could partially address the related detriments, either via new technical solutions or via regulatory developments (PSD2; Open Banking Standards), there is a need for further collaboration. This focused on the following areas:

Ubiquitous delivery of the necessary solutions will likely depend on there being a collaborative approach wherein the necessary technology, standards and rules etc. can be developed and implemented.

That approach could potentially also serve to facilitate access to the payments system to the wider Payment Services Provider community, again ensuring the likelihood of both ubiquity and enhanced competition. It could also enable some of the simplification, flexibility and cost reduction which are common overarching themes in the Forum's work. There is further work to be done to determine what form this might take and how this "collaborative approach" would best be created. The Group also agreed a need to link with the work of the Simplifying Access to Markets Working Group and the Open Banking Data Working Group report.

Financial Capability

A number of the detriments experienced by users can also be (partly) addressed through:

increased levels of user financial capability

increased understanding of user needs/capabilities by providers

The Group concluded that, although there is a place for education to address these detriments and its thinking should align with the Money Advice Service's recent work in this area, the Forum needs to understand any limitations on consumers' own ability to be educated and thus focus on educating the industry on creating systems and services that are easy to understand and meet users' needs. This view will be a key requirement for the Group when it begins to consider solutions.

Corporate

The Working Group agreed that the detriments for corporate users were sufficiently different and specific to warrant separate consideration but has not yet reached a conclusion, backed by evidence, as to whether those detriments lie outside the competitive space and to what extent these are being addressed in other WGs. We therefore currently have no emerging solutions for this strand, but we will consider the read across to other detriments and WGs and come back to the next meeting with some conclusions.

3. Emerging Solutions

At this stage the solutions remain at a highly conceptual stage:

A. Control: We know from the Group's work that various Schemes and PSPs are at different stages of developing payment products which would give more control to the customer; see the table at 3a for full detail of the detriments and control features which are thus required. This is encouraging. However we also recognise that, without some degree of central co-ordination, there is a risk that these new products will not apply ubiquitously and meet the user's need for control to the level required to resolve the detriments identified by the PSF process. We therefore judge that the most likely appropriate conceptual solution is for the industry to work to an agreed set of standards around customer control when developing products and services.

For further work:

1. To decide where a standards-setting and monitoring function should sit and what sort of entity would own and lead on such a function
2. To define and agree a set of standards where possible building on existing work and taking into account EU and other extrinsic drivers
3. To continue to explore whether there any technical gaps in the existing payments environment which would make it impossible for providers to meet these standards. If so, to explore what the gaps are and how they should be closed.

B. Assurance: The WG has established that most parties in the Payments Community would benefit from being able to send and receive more data about and alongside payments. This includes not only confirming the payment destination to the payer at the point of making a payment, but also providing enhanced payer data to the payee in order to be able to reconcile payments efficiently and to third parties where the payer has a separate reporting requirement; see the table at 3a for full detail of the detriments and control features which are thus required

For further work:

The WG has also agreed that there are two aspects to this work:

1. agreeing a standard to determine a set of data which must be able to be attached to a payment or provided about a payment to ensure the identified detriments are resolved and how this standard will be monitored (in the competitive environment, once this standard is set, providers would be able to include required data using their own solutions; and
2. Determining whether the existing payments environment is able to support all payments to meet these minimum standards. If it cannot, we must also decide whether a competitive or collaborative solution is required.

There is likely to be overlap with both the customer control work and the Financial Crime WG, where the establishment of a central data analysis capability is emerging as an essential requirement.

C. Financial Capability. Whilst consumer education is essential, ensuring that financial products are designed to be as inclusive as possible is a key part of the solution to better inclusion. The industry's understanding of financial capability needs to increase to ensure it is able to deliver user-led "simple to use" design. Some of these needs will be partly met by the Control and Assurance work, but not all (and none in totality). We therefore judge that a set of financial capability and inclusion principles, based on existing and emerging good practice in line with UK's national Financial Capability Strategy, would support the industry to meet financial capability and inclusion needs within payments. Since a range of other skills (numeracy, literacy, digital) also affect people's confidence to use financial products, this approach also needs to dovetail with the wider FC Strategy and digital inclusion work.

The needs of users at risk of exclusion due to AML and KYC regulation should be addressed in the Financial Crime WG.

The WG agreed that there are two opportunities presented by the PSF process to ensure that UK Payments Systems support and enhance financial capability of all users in line with the UK's Financial Capability Strategy:

1. Educating and supporting payments providers to understand the financial capability needs of all users
2. Ensuring that payments systems and products are designed to be simple to use for all users across the Payments chain.

Our emerging conceptual solution would be to integrate "simple to use" design principles and/or standards into the PSF's wider work on standards, supported by access to appropriate resources, information and/or training for payments providers.

For further work:

1. MAS to produce a short paper outlining where existing FC evidence is relevant to Payments Systems and products.
2. Agree a set of "simple to use" design principles for the Payments industry to reflect existing best practice knowledge
3. Agree where the principles sit and are monitored
4. Establish a mechanism for updating the principles and industry knowledge around emerging best practice and in line with the UK FC Strategy

D. Corporates: Corporates' need for enhanced data is considered under Customer Assurance – as this is a corporate need in which emerging collaborative solutions are being explored.

We have yet to conclude whether Corporates face detriments which lie outside the competitive space and to what extent these are being addressed within the previously described areas of consideration and/or other WGs. The need for specific solutions over and above those developing elsewhere will be considered and addressed at the next meeting.

Further work:

1. UNWG Chairs to continue to work with the Chairs of the other WGs to establish whether the identified detriments are already being addressed elsewhere.
2. If they are not, to reconvene a sub-group to investigate further, and report back to the PSF. UNWG members to be kept informed, engaged and included in this process.

Cross-cutting work and the need for a joined-up approach

1. Payments UK's World Class Payments project prioritises customer control, assurance and enhanced data; there is a clear overlap with the need for control and assurance defined here. As such the Forum's work must coordinate, and make effective use of, the WCP work programme.
2. Similarly, there is a need to link with the work of the Simplifying Access to Markets Working Group and Open Banking Data Working Group report.
3. There is an emerging theme about the need for standards. The Strategy will need to set the scope and requirements for standards and enable the Payments Community to create an appropriate mechanism to monitor and ensure compliance.

4. Call to action

The Forum is asked to **consider** this update and **agree** with the Group's emerging conclusions.

3. Triage and prioritisation analysis

3a. Detriment grouping and definition

Control: original detriment(s)

1. Poor flexibility or ease of use to control your push and pull payments
2. Difficulty in handling exceptions/failures because of lack of control
3. No real-time pull functionality
4. Payments mechanisms not keeping pace with changes in lifestyle (D/Ds)
5. Failed D/D charges affect the disadvantaged
6. D/Ds too rigid for both payer and (corporate) payees

Assurance - original detriment(s)

1. Lack of confirmation of receipt (e.g. FPS and international payments)
2. Lack of progress information and tracking [this not just a corporate issue]
3. No real-time balance data available (to payer or payee) to confirm sufficient funds to cover payment
4. No payee confirmation leads to misdirected payments
5. Investigation of misdirected payments is difficult and takes time
6. Missing reference data leads to misdirected payments
7. Insufficient reference data in the transactions leads to reconciliation problems

Grouped / Refined / Defined *(agreed by Working Group)*

Payer and payees need:

- more flexible mechanisms for collecting and making recurrent and ad hoc payments
- that gives greater control to the payer and more certain outcomes for the payee.
- We are calling this “a Customer Control”, which could take various forms.

Grouped / Refined / Defined *(agreed by Working Group)*

Both payer and payee need additional functionality when making payments:

- To confirm payee (validation of name or proxy regarding payment account details)
- To confirm adequate funds available to cover payment
- To confirm status of payment
- To confirm receipt of payment
- To include additional reference data in the payment (to ease reconciliation)
- To include additional data for 3rd parties (e.g. accounting; taxation and age verification)

Financial Capability - original detriment(s)

1. Customer education – needed on channels
2. Lack of transparency / clear information on types of payments (and products) for consumer to be able to select best choice with confidence
3. Lack of confidence in shift to online and shift to digital – lack of trust increases costs, reduces engagement, slows move to non-cash ; excludes certain users
4. Data acts as a barrier to getting products and services – lack of transparency
5. Transparency of users for services in corporate space
6. Limited access to Free-To Use ATMs in some areas (Rural, out of town estates) – challenge is often lack of commercial space
7. Difficult to make electronic payments for the unbanked causing increased cost due to use of cash
8. Risk appetite around fraud / AML excludes many vulnerable / 'non-standard' customers from access
9. Access to products and services difficult for people who don't have 'standard' ID / Address or credit history causes exclusion and additional costs

Grouped / Refined / Defined *(agreed by Working Group)*

- Some financial products are overly complex and lack transparency, leading to avoidance by unconfident users
- Access to cash remains important for many users (either due to low or unpredictable incomes or mistrust of electronic payments due to lack of transparency) – and will continue to do so while non-cash products do not meet their needs for control and transparency,
- Competition is not currently meeting user needs for:
 - Simplicity
 - Transparency
 - Control
 - Low income/low use users who need simple payment mechanisms and prefer cash

Corporate: original detriment(s)

1. Lack of realistic alternative payments options other than cards available to merchants / retailers
2. Card scheme fines with no appeal process mandated onto merchants
3. International Payments for Retail and Corporate users sometimes hard to execute as UK Payment Systems not perfectly connected to international equivalents

Grouped / Refined / Defined *(agreed by Working Group)*

We are still working with Corporates and WG members to clarify whether these are additional detriments which require collaborative solutions.

3b. Orphan detriments

- Security measures have technical problems and are too complicated for consumers leading to high rates of sales abandonment – for **Financial Crime; Security and Data**
- Risk appetite around fraud/AML excludes many vulnerable no-standard customers from access - for **Financial Crime; Security and Data**
- Access to products and services difficult for people who don't have standard ID address or credit history - for **Financial Crime; Security and Data**
- Unlimited D/D guarantee makes it difficult to provision for risk or acts as barrier for non-Direct PSPs and end users to offer the service – for *Simplifying Access to Markets*
- Inflexible collection accounts cause input errors and additional costs for customers and agency banks – **Not applicable to any group**

3c. Triage and prioritisation

Grouped detriment	Potential Solution(s)			High level CBA (+ / -)	Priority (HML)
	Solution (s) already available or under development (Y/N)	New <i>(Capture the solution at a high level, please note this doesn't have to be a technical solution, could be education; rules changes etc.)</i>	Potentially Requires collaboration (Y/N)		
Customer Control	Y with caveats	Solutions under development at scheme/PSP level. The PSF needs to build on these and enable implementation ubiquitously and independent of payment channel or settlement mechanism through development of a set of agreed industry standards for all payments. Confirmation is also required that there are no "infrastructure" gaps which would prevent any PSP from meeting the standards. It is crucial that the standards are based on meeting user needs and not confined by existing infrastructure capabilities.	Y	+	H
Customer Assurance: Payment status, confirmation of payee and balance plus enhanced data capacity	Y	Conceptual solutions developed in PUK WCP work Standard set of minimum data to be attached to a payment (to resolve specific identified detriments) Determine whether existing payments environment will enable all PSPs to meet these standards and, if not, explore whether a further collaborative approach is required to ensure it can.	Y	+	H
Lack of understanding and application of financial capability needs by industry in product design and delivery	N	Industry needs a mechanism for accessing and applying best practice financial capability knowledge to the design and delivery of products. Industry needs a set of agreed standards, updated in line with emerging best practice from the UK FC Strategy.	Y	+	H
"Corporates"	N/K	TBC	TBC	TBC	TBC